

CITY OF LADUE

Public Works

To: Honorable Mayor Nancy Spewak
Members of the City Council
Anne C. Lamitola, P.E., Public Works Director

From: Mark A. Koester, P.E. *MAK*
Storm Water Project Engineer

Date: August 26, 2019

Subject: Deer Creek OMCI Taxing Subdistrict

The City has been approached by MSD about reestablishing the Deer Creek OMCI Taxing Subdistrict. OMCI stands for Operation, Maintenance, and Construction Improvements. MSD has been using funds from the OMCI for construction of storm water capital improvements since the 1960's. With voter approval of Proposition S in 2016, MSD now collects a \$0.10 tax per \$100 of assessed property valuation for operation and maintenance of the storm sewer system. As a result of the election, the tax rates in these subdistricts are now set to zero, and no funds are collected for construction improvements. However, the taxing subdistricts and their taxing authority remain. The subdistricts could generate revenue to be used for construction of storm water projects.

Reestablishing the OMCI taxes would require a recommendation from MSD staff based on feedback from the 21 municipalities in the subdistrict, and a positive vote by the MSD Board of Trustees. The issue does not need to go to the voters because the subdistricts have not been eliminated. MSD staff is looking for a consensus of the municipalities to reestablish the tax.

If the tax is reestablished, MSD is proposing two funding options. Under Option 1, MSD would administer all funds. MSD would plan, design, and construct projects based on MSD's established priorities. Under Option 2, funding generated within each municipality would be split 50/50 between MSD and the municipality. The municipality could use its funds to address its priority storm water issues. MSD would use the remaining 50% of the funds to plan, design, and construct projects based on MSD's established priorities as in Option 1.

It should be noted that MSD's Proposition S for capital improvements in April 2019 resulted in approval by City of Ladue voters. However, the proposition did not pass Districtwide. Also, the Public Works Committee and the Storm Water Advisory Committee have discussed the issue and each agreed that reestablishing the tax would be in the City's best interest. The tax would generate approximately \$591,000 annually from the City, with \$295,000 being the City's share under Option 2. For the above reasons, the Public Works Department recommends that the Mayor send a letter to MSD requesting that MSD reestablish the Deer Creek OMCI Taxing Subdistrict and use Option 2 for distribution of funds. MSD needs to hear back from the municipalities by September so that the Board of Trustees can vote before the end of the year.